
**MINUTES OF THE GENERAL EMPLOYEES' PENSION PLAN QUARTERLY BOARD
MEETING HELD ON MONDAY FEBRUARY 27 AT 1:30 PM IN COMMISSION
CHAMBERS, CITY HALL, BOYNTON BEACH, FLORIDA**

Trustees: Woodrow Hay, Chair
Cathy McDeavitt
Michael Low
Lori Laverriere
Laurie Fasolo
Virginia Shea
Lisa Jensen

Others: Jeff Swanson, Southeastern Advisory Services
Bonni Jensen, Perry & Jensen, LLC
Dixie Martinez, Resource Centers
Scott Baur, Resource Centers
Steve Palmquist, Gabriel Roeder Smith
Pete Strong, Gabriel Roeder Smith
Mary McTague, Atlanta Capital Management
Dustin Heintz, Atlanta Capital management
Chris Coburn, Tradewinds
James Burdick, Cherry Bekaert & Holland
David Main

Members of Public

I. OPENINGS:

A. Call to Order – Mayor Woodrow Hay, Chairman.

Chair Hay called the meeting to order at 1:34 p.m.

II. AGENDA APPROVAL:

A. Additions, Deletions, Corrections

There were no additions, deletions, or corrections to the Agenda.

Motion

Mr. Low moved to approve the Agenda. Ms. Fasolo seconded the motion that unanimously passed 7-0.

III. APPROVAL OF MINUTES

A. Regular meeting November 28, 2011.

Motion

Ms. McDeavitt moved to approve the minutes of the regular meeting on November 28, 2011. Ms. Shea seconded the motion that unanimously passed 7-0.

IV. CORRESPONDENCE

A. Letter of Appeal from David Main

The Board of Trustees of the Employees' Pension Plan of the City of Boynton Beach, Florida, ("Plan") convened on February 27, 2012, to consider the request for hearing of claimant, DAVID MAIN, regarding his appeal of the Board's decision of November 28, 2011 determining that the sisters of Karen Main, DEBORAH O'CONNOR and ROBERTA HORNE were the beneficiaries and entitled to the payment of Death Benefits under Section 18-115 of the City of Boynton Beach Code ("Code"). The Board record consisted of the following:

1. Application for Participation of Karen Main dated June 10, 2002 designating David A. Main, ex-spouse, as the beneficiary.
2. Power of Attorney naming Deborah O'Connor the agent and attorney for Karen Main, dated September 10, 2011, witnessed by David Main.
3. Designation of Health Care Surrogate designating Deborah O'Connor the Health Surrogate or Karen Main dated September 10, 2011, witnessed by David Main.
4. Designation of Revocable Beneficiary of Karen Main naming Deborah O'Connor and Roberta Horne, sisters, as primary beneficiaries dated September 13, 2011, witnessed by Deborah O'Connor.
5. Notice of Board action to David Main dated December 12, 2011.
6. Timely appeal letter of David Main dated January 9, 2012.
7. Consent to extension of date of hearing by David Main and Notice of Hearing to be held on February 27, 2012 at 1:30 p.m. dated January 16, 2012 and signed by David Main on January 17, 2012.
8. Death Benefit calculation performed by the Plan's Actuary, Gabriel, Roeder, Smith & Company for Karen Main's benefit dated November 15, 2011.

At the hearing held on February 27, 2012, the Board heard sworn testimony from David Main, Deborah O'Connor, and Roberta Horne. The attorney for Ms. O'Connor and Ms. Horne, John P. Seiler, also made a presentation.

Having reviewed the records of the Board, heard the sworn testimony of the parties and with a quorum present, the Board determined the following:

1. Karen Main named David Main as her beneficiary in 2002.
2. During her hospitalization, Ms. Main executed several documents to put her affairs in order in anticipation of her death:
 - Power of Attorney designating Deborah O'Connor the agent and attorney and Roberta Horne as the substitute;
 - Designation of Health Care Surrogate naming Deborah O'Connor as the Health Care Surrogate and Roberta Horne as the alternate;
 - Designation of Beneficiary for a Charles Schwab account naming both Deborah O'Connor and Roberta Horne as beneficiaries (This document was not submitted into evidence; the Board heard testimony regarding the form); and
 - Designation of Beneficiary for the Plan naming Deborah O'Connor and Roberta Horne as beneficiaries.
3. On September 10, 2011, David Main witnessed Karen Main sign both the Power of Attorney and Designation of Health Care Surrogate.
4. Ms. O'Connor testified that Ms. Main signed the Plan's Designation of Beneficiary on September 13, 2011. There was no contrary testimony.
5. The Board heard testimony from Ms. O'Connor regarding the name of Syeda Garrett appearing on the front of the form. Ms. Garrett is the assistant of Ms. O'Connor. According to Ms. O'Connor, Ms. Garrett mistakenly put her name on the form before sending it to Pension Resource Centers.
6. The Board questioned the differences in Ms. Main's signature on September 10, 2011 and September 13, 2011. Ms. O'Connor testified that Ms. Main had good days and bad days which would affect her strength. Sometimes she felt strong enough to go outside and September 13, 2011 was a day when they went outside.
7. There was an independent witness who was the hospital roommate of Ms. Main. She was not present and did not submit an affidavit.
8. Karen Main passed away on September 19, 2011.

The relevant provision of the Pension Plan is at Section 18-115 of the Code as follows with the relevant portion highlighted:

Sec. 18-115. Death before retirement date.

(a) Prior to January 2, 2001, in the event of death of an employee prior to the receipt by such employee of any of the benefits under the provisions of this article, then the total amount of contributions by said employee to the fund, up to the time of his death, shall be paid to the beneficiary of the deceased employee, together with interest

thereon at the rate of three per cent (3%) per annum to January 1, 1977, and five per cent (5%) thereafter, computed in the manner provided in section 18-117, unless the employee has reached normal retirement age and the retirement annuity option provided in section 18-118 has been elected by the employee, in which case pension payments will be made as though the employee had retired on the date before he died.

(b) On or after January 2, 2001, in the event of the death of an employee prior to the receipt by such employee of any of the benefits under the provisions of this article, then the beneficiary of the deceased employee who was not vested, may receive the total amount of contributions by said employee to the fund, up to the time of his or her death, together with the interest thereon at the rate of five percent (5%) per annum thereafter, computed in the manner provided in section 18-117. **The beneficiary of an employee who became vested prior to their death may receive the pension benefit earned by the employee as though the employee had retired on the date before (s)he died, payable either as an immediate lump sum payment or as a monthly survivor benefit for the remainder of the survivor's life.**

(1) The immediate lump sum payment is equal to the greater of the employee's contributions, together with the interest thereon at the rate of five percent (5%) per annum, or the lump sum value of the actuarial calculation of the employees' accrued pension payable at the earliest date the employee could have retired.

(2) The monthly survivor benefit would be the actuarial calculation of the employee's accrued pension starting at the earliest date the member could have retired. If the beneficiary's age is more than fifteen (15) years less than the employee's age at the time of death, then the monthly benefit will be reduced as though the beneficiary was fifteen (15) years younger than the employee. The monthly survivor benefit is payable at the earliest date the employee could have retired.

(3) If the earliest date that the employee could have retired is before the normal retirement date, then the accrued death benefit will be subject to the early retirement penalty of three percent (3%) for each year prior to what would have been the employee's normal retirement date.

(4) If the beneficiary selects to receive the monthly survivor benefit but predeceases the date such payments commence, the employee's estate shall receive a refund of the employee's contributions, together with the interest thereon at the rate of five percent (5%) per annum.

The Board concluded that:

1. Karen Main passed away on September 19, 2011.

2. The designation of beneficiary executed on September 13, 2011 was signed by Karen Main.
3. The designation of beneficiary of Karen Main named Deborah O'Connor and Roberta Horne.
4. The death benefit of Karen Main is payable to her sisters, Deborah O'Connor and Roberta Horne, as the named beneficiaries on her date of death, pursuant to Section 18-115 of the Pension Plan contained in the City of Boynton Beach Code.

Motion

Ms. Shea moved to stay with the original decision of the Board which was that the death benefit of Karen Main is payable to her sisters, Deborah O'Connor and Roberta Horne, as the named beneficiaries on her date of death. Ms. Laverriere seconded the motion that unanimously passed 7-0.

V. PRESENTATIONS

A. DRAFT Audited Financial Statement Report as of October 1, 2011– Presented by James Burdick, Cherry, Bekaert & Holland, L.L.P

Mr. Burdick introduced himself to the Board. He stated that the audit process is nearly completed. He reported that if anything were to change he would agree to come and appear before the Board again. He explained that he is still waiting to receive some of the confirmation letters. He reported that the financial statements of the Plan as of September 30, 2010 were audited by other auditors whose report, dated December 7, 2011, expressed an unqualified opinion on those statements. He reported that in their opinion, the financial statements present fairly, in all material respects, information regarding the City of Boynton Beach General Employees' Pension Plan's net assets as of September 30, 2011, and the changes therein for the year then ended in conformity with accounting principles generally accepted. He reported that there have been no material weakness identified and no significant deficiencies reported.

He reported that the final report is still subject to review but he does not expect the numbers to change. He reported that the net assets of the Plan exceeded its liabilities at the close of the fiscal years ended September 30, 2011 and 2010, with \$88,849,772 and \$88,916,323 in net assets held in trust for pension benefits, respectively. Mr. Burdick reviewed a comparison of 2010 Balance Sheet to 2011. He reported that net assets decreased by \$66,551 during 2011, primarily due to the current year's poor investment performance. He reported that as of October 1, 2010, the date of the latest actuarial valuation, the funded ratio of the Plan was 76.4%. He reported that additions to the Plan's net assets for the year ended September 30, 2011 were \$14,234,314 which includes member and employer contributions of \$7,373,735 and net income from investment activities totaling \$6,860,579. He reported that deductions

from the Plan's net assets increased from \$5,272,178 during 2010 to \$6,111,297 in 2011. Most of the increase relates to increased benefit payments in 2011 compared to 2010. Mr. Burdick reviewed in detail the administrative expenses of the Plan. He reported that there had been an entry for around \$69,000.00, which technically should have been included in last years contribution revenues but it was received after the end of the fiscal year therefore it was not picked up as a contribution receivable. In his opinion it is not significant enough to make it a prior year adjustment therefore it has been included in the current year. He reported that they have a schedule of funding progress for the last 6 years. They are currently working on completing the schedule of significant factors affecting the trends in actuarial information for the last 6 years. He reported that there are some items to be completed. Also they are awaiting some of the confirmation letters but if there are any significant changes he will attend the next meeting to review those.

Consensus of the Board to wait until the report is final to formally approve it.

B. Actuarial Valuation Report as of October 1, 2011– Presented Steve Palmquist, GRS

Mr. Palmquist reported that the estimated required employer contribution as a percentage of payroll for fiscal year end September 30, 2012 increased by 8.40%. He reported that part of the increase is due to the fact that the Plan had an experience loss due to lack of investment return. He noted that the Plan year closed on the worst possible day for investment. He reported that there was a net actuarial loss of \$4,879,520 for the year which means actual experience was less favorable than expected. This experience loss adds to the unfunded liability, which increases the required contributions by over a ½ million dollars. In addition, expiration of negative amortization bases increased the payment on the unfunded actuarial accrued liability. He reported the required employer contribution as a percentage of covered payroll for fiscal year end September 30, 2013, calculated as though payment is made in a single lump sum on October 1, 2012 is \$6,630,714. He explained that a couple of years ago the City adopted the Policy of making the full contributions on the 1st day of the fiscal year. If the City wanted to go back to the old method of paying the employer contributions in biweekly payments beginning October 1, 2012, the required payment is \$6,895,466 or 28.91% of payroll. He reported that the funded ration this year is 74.2% compared to 76.4% last year. He reviewed the participant data. Active members reduced from 479 in 2010 to 395 in 2011. Mr. Palmquist reviewed the liquidation of the unfunded actuarial accrued liability. He reviewed the old method for amortization versus the changes recently adopted by the Board. He explained that had the Board not changed the policy the City's cost would of increased in the next valuation because the credit would have ended it's 15 year life. He reported that all amortization bases have been combined, except for the one that arose this year, and they have calculated a single payment that will remain the same for the next 10 years and after period of time the \$29,268,350 of current unfunded actuarial accrued liability will be paid off and the Plan will have a much more stable level of funding the next number of years than we would have had under the previous procedures. Mr. Palmquist reviewed the cost of the administration of the Plan which is about 60 to 65 basis points including investment expenses which is actually very low for a Plan this size. He reported that the markets have had virtually

no returns in the last 11 years. The funded ratio has remained relatively stable during the last 8 years.

Motion

Ms. Jensen moved to approve the Actuarial Valuation Report as of October 1, 2011. Ms. McDeavitt seconded the motion that unanimously passed 7-0.

Mr. Swanson reported that there are three investment managers to present today. He noted that the Board may want to limit the presentations to 15 minutes.

VI. INVESTMENT REPORT

A. Quarterly Investment Performance Report: (Investment Manager) Atlanta Capital Management – Mary McTague Florida League of Cities – Dustin Heintz

Ms. McTague and Mr. Heintz introduced themselves to the Board. Ms. McTague reported that the Plan is invested in their funds through The Florida League of Cities, which has lower fees... Mr. Heintz reviewed the structure and characteristics of the portfolio. He reported that The Florida Municipal Investment Trusts (FMIvT) was created to allow local governments to pool surplus and pension funds and invest in a variety of portfolios, utilizing economies of scale. He reported that they are a separate independent legal entity. They are governed by a Board of Trustees comprised of Elected Officials of local governments who are members of the Trust. He reported that their role in the portfolio is to manage the portfolio within the FMIvT stated guidelines. They generate excess returns with less credit risk by consistently adhering to their high quality discipline which is high credit quality and cash flow stability.

Ms. McTague reported that although the September quarter was not much fun and not a great way to end the fiscal year the December quarter was quite strong. Stocks had a nice rebound during the quarter ending December 31, 2011. The Russell 2500, which is the Plan's benchmark, was up 14.5%. She reported that nine of the ten economic sectors posted double digit gains. She reported that for the quarter the Plan was up 17.8% versus the benchmark at 14.5%.

B. Quarterly Investment Performance Report: (Investment Manager) Tradewinds: Chris Coburn a. Modification to Guidelines Language

Mr. Coburn introduced himself to the Board. He reported that he has a few administrative items that he needs to review with the Board. One of the items is a modification to the guidelines language. He reported that your current SMID guidelines, states "With respect to

90% of the securities in the portfolio, market capitalization per issuer shall range from \$100 million to \$15 billion, measured at time of purchase." He explained that they will be revising their standard language to say "Companies whose market capitalization is outside the range of \$100 million to \$15 billion shall not exceed 10% of the portfolio market value, measured at time of purchase." He explained that this change will allow them to better integrate these guidelines into their automated guideline compliance system.

He reported that the second administrative change is to the fee schedule that was included in the agreement that was signed at the end of 2010. Although he is not proposing a change to the fees, there is a slight error on the wording that needs to be changed. Right now it states that "assets over \$25 million" has a fee of 85 basis points but it should really be "assets up to 25 million" has a fee of 85 basis points and any assets over \$25 million would drop down to a fee basis point.

Mr. Coburn reported that the third item is that as the Plan's investment manager in terms of making trades it's their duty to perform best execution in terms of cost for the Plans portfolio and they have certainly done that. He explained that one thing that they have missed on is just a small item which is "all else equal" meaning best execution. For them to direct a trade to a recapture program under a review of their clients account they have noticed that it was not coded into their system. Although they have been certainly achieving best execution. He explained that a letter has been sent out today regarding this matter. At this time the Board does not have to take any action but he just wanted to let the Board know.

Mr. Swanson reported that he has no issues with the change to the investment policy guidelines as described by Mr. Coburn. Mr. Coburn will be sending a modification for the agreement and the Plans legal council will be reviewing. He was not aware of the third item. The Board can address this at their next meeting.

Mr. Coburn reported that Tradewinds primarily focuses on equities. He reviewed the asset allocation within the portfolio. He reviewed their investment process. He reviewed the portfolio performance within the last year.

**C. Quarterly Investment Performance Report: (Investment Consultant)
Southeastern Advisory Services: Jeff Swanson**

Mr. Swanson reviewed the allocation of assets. He reported that the Plan had 61% in equities at close of the December quarter. He reported that this was very positive for 2012, since the market has done very well during January and February. He reported that after the very tough quarter ending September 30, 2011 the markets have snapped back nicely. He reported that as of December 31, 2011 the total value of the plan including the R&D account was \$97,567,803. As of yesterday the total fund value was \$102,978,000. Mr. Swanson reported that for quarter ending December 31, 2011 the Total Domestic Equity was at 11.5 % versus the index at 12.4% and Total International Equities was at 2.9% versus the index at 3.3%. Total Real Estate was at 3.0% versus the index at 3.0% and Total Fixed Income was at 1.3% versus the index at 1.1%. Mr. Swanson reviewed each manager individually. As the Board

knows Alliance Bernstein has been under review for some time. They are still under review but their numbers are firming up. Their 3 year numbers are now average. We will continue to keep them under review. Garcia Hamilton had nice results. He reported that 2011 has been one of the toughest years on record for asset managers. Mr. Swanson reported that Artio has been under review for 2 quarters. He is not recommending a rebalance at this time. He recommends staying the course.

VII. OLD BUSINESS

No old business

VIII. NEW BUSINESS

A. Attorney Report

1. Accumulated Sick & Vacation Leave in Pension

Ms. Bonni Jensen reported that this is a follow up to Senate Bill 1128 which had a requirement that accumulated sick and vacation leave that was earned after the effective date of your new collective bargaining agreement be removed from the definition of compensation for purposes of pensions. Ms. Bonni Jensen asked if there has been a resolution regarding the contract. The Board advised that the collective bargaining is still under negotiation.

2. Palm Beach County Commission on Ethics – RQO-11-089

Ms. Bonni Jensen reviewed the obligations for gift reporting. She explained that the Trustees have the obligation to file the State form. Which is different to the County form. She explained what was excluded from the reporting requirements at the State level and provided examples of what needs to be reported.

3. House Bill 1499

Ms. Bonni Jensen reviewed House Bill 1499. She reported that valuations must be performed at least every 2 years. She reported that it changed the definition of funded ratio. She explained that for the funded ratio it establishes 80% as the sole watch list criteria. The plan sponsor must notify the Department of Management Services ("DMS") if a plan's funded ratio is 80% or less. DMS shall place the local governmental entity and the plan on a pension watch list. She explained that within 90 days of providing the notice the governing body of the plan sponsor in consultation with the directly affected employees or its representative, must developed a strategy to achieve a funded ratio of greater than 80 percent.

4. Disability Presumptions

Ms. Bonni Jensen reported that the Task Force did do it's work. There were no issues that came out of it. She explained that this applies really to Police Officers and Firefighters. There were no Bills that were drafted that have any impact of Pension Plans at this point.

5. GRS Addendum to Actuary Agreement

Ms. Bonni Jensen reported that the GRS Addendum to the Actuary Report is ready for execution.

B. Administrator Report

1. Client Survey

Mr. Baur briefly reported on the outcome of the client survey that his firm had sent out to his clients. He reported that the overall rating was very good. He also reported that his firm has completed the SSAE16 Report.

2. Warrant for Invoices

The Board reviewed the Disbursements presented for approval by the administrator.

Motion

Ms. McDeavitt moved to approve the invoices that were presented by the administrator. Ms. Jensen seconded the motion that unanimously passed 7-0.

3. Benefit Approval

The Board reviewed the Benefit Approvals presented for approval by the administrator.

Motion

Ms. McDeavitt moved to approve the Benefit Approval presented by the Administrator. Ms. Fasolo seconded the motion that unanimously passed 7-0.

4. Trustee Election

Ms. Martinez reported that the Trustee term for Michael Low expired December 31, 2011. She explained that the Trustee Election is currently underway. Included in the meeting packets is a sample ballot that needs the approval of the Board.

Motion

Ms. McDeavitt moved to approve the Ballot presented by the Administrator. Ms. Fasolo seconded the motion that unanimously passed 7-0.

5. Fiduciary Liability Insurance

Ms. Martinez reported that the fiduciary liability insurance was coming up for renewal. She explained that the Board had asked last year to bring two quotes. She reported that Ullico quoted \$12,181.14 which is the same as last year. Also she received a secondary quote from RLI insurance for \$10,383.00. This quote was received late Friday afternoon and early Monday morning therefore all of the documents have not been reviewed to compare the two Policies. Ms. Bonni Jensen reported that it looks like they provide the same type of coverage with the same limitations. Ms. Martinez reported that RLI Insurance does not give the Trustees the option of choosing their own Council in the event of a claim. Ms. Bonni Jensen reported that this is a fairly common provision.

Motion

Ms. McDeavitt moved to approve securing coverage for fiduciary liability coverage with RLI Insurance. Ms. Shea seconded the motion that unanimously passed 7-0.

E. Board Issues

No Board Issues

VIII. PUBLIC COMMENTS

No Public Comments

IX. ADJOURNMENT

There being no other business and the next meeting having been previously scheduled for Monday, May 21 at 9 AM, the Trustees adjourned the meeting at 4:16 pm.

MINUTES APPROVED: May 21, 2012

Woodrow Hay, Chair
Boynton Beach General Employees' Pension

Board

Dixie Martinez, Administrator
Boynton Beach General Employees' Pension
Board

DRAFT